

Message Text

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ACTION EB-11

INFO OCT-01 EUR-25 NEA-10 ISO-00 SS-20 NSC-10 L-03 H-03

SEC-03 JUSE-00 FTC-01 SSO-00 NSCE-00 INRE-00 DRC-01

AID-20 CEA-02 CIAE-00 COME-00 EA-11 FRB-02 INR-10

IO-14 NSAE-00 RSC-01 OPIC-12 SPC-03 TRSE-00 CIEP-02

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TO SECSTATE WASHDC IMMEDIATE 2479

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E.O. 11652 N/A

TAGS/ EFIN

SUBJ: FOREIGN DIRECT INVESTMENT IN USA AND TURKEY

REF: STATE 11634

1. SUMMARY: TREATMENT THAT MAY BE ACCORDED FOREIGN INVESTMENT IN US HAS MARGINAL RELATIONSHIP TO TREATMENT US COMPANIES MAY RECEIVE IN TURKEY. HOWEVER, GOT POLICY TOWARDS FOREIGN INVESTMENT IS LIKELY TO BE SUBJECTED TO INTENSIVE SCRUTINY AND MAY BECOME MORE RESTRICTIVE UNDER NEW RPP-NSP COALITION GOVERNMENT. END SUMMARY.

2. GOT HAS STRICT CONTROLS ON BOTH INFLOW AND OUTFLOW OF CAPITAL. SOME SMALL TURKISH INVESTMENTS HAVE BEEN MADE ABROAD IN SPECIAL CIRCUMSTANCES, BUT GOT GENERALLY DISCOURAGES EXPORTATION OF CAPITAL. POLICY IS TO RETAIN DOMESTIC CAPITAL FOR USE IN DEVELOPMENT OF NATIONAL ECONOMY. IT IS MOST UNLIKELY THAT GOT WOULD APPLY FURTHER RESTRICTIVE MEASURES TO INFLOW OF US FDI IN
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RETALIATION FOR RESTRICTIONS BY US ON INFLOW OF FDI.

3. GOT POLICY TOWARDS FOREIGN INVESTMENT, MOREOVER, HAS BEEN SHAPED IN PAST, AND WILL BE NO DOUBT IN FUTURE, BY GOT VIEW OF ITS OWN IMPERATIVES. ON ONE HAND GOT RECOGNIZES FOREIGN CAPITAL CAN SUPPLEMENT DOMESTIC RESOURCES AND BRING MORE RAPID ECONOMIC DEVELOPMENT. OFFICIAL POLICY THUS HAS BEEN TO WELCOME FOREIGN INVESTMENT UNDER CERTAIN CONDITIONS, I.E., THAT IT BRINGS NEEDED TECHNOLOGY, CONTRIBUTES TO BALANCE OF PAYMENTS, AND DOES NOT DISPLACE EXISTING INDUSTRY. APPLICATION OF THIS POLICY HAS BEEN AMBIGUOUS AND OFTEN DISCOURAGING TO POTENTIAL INVESTORS FROM ABROAD, BECAUSE OF STRONG OVERTONES OF ECONOMIC NATIONALISM AND STATISM GOING BACK TO FOUNDING OF TURKISH REPUBLIC OF 1923.

4. MOVEMENT TOWARDS MORE RESTRICTIVE POLICY TOWARDS FDI IN UNITED STATES WOULD, HOWEVER, DEPRIVE US OF ARGUMENT FAVORING MORE LIBERAL POLICY FOR FOREIGN INVESTMENT BY CITING HISTORIC FAVORABLE POLICY OF US TOWARDS INVESTMENT FROM ABROAD. AS A POSITIVE ARGUMENT, THIS PROBABLY AT BEST HAS BEEN OF MARGINAL VALUE IN INFLUENCING PAST GOT POLICY. HOWEVER, RETGN#
BY US FROM SUCH POLICY WOULD UNDOUBTEDLY CARRY RELATIVELY MORE WEIGHT ON NEGATIVE SIDE, I.E., USED BY ELEMENTS CALLING FOR MORE RESTRICTIVE GOT POLICIES.

5. GOT POLICY TOWARDS FOREIGN INVESTMENT IS LIKELY TO BE SUBJECTED TO INTENSIVE SCRUTINY AND MAY BECOME MORE RESTRICTIVE IN PERIOD JUST AHEAD. BOTH REPUBLICAN PEOPLES' PARTY (RPP) AND NATIONAL SALVATION PARTY (NSP) WHICH ARE ABOUT TO FORM COALITION GOVERNMENT HAVE DURING CAMPAIGN, AND IN STATEMENTS BY SPOKESMEN SINCE, CALLED FOR GREAT GOVERNMENTAL ROLE IN ECONOMIC ENTERPRISE AND REDUCTION OF ROLE OF BOTH FOREIGN AND DOMESTIC PRIVATE ENTERPRISE. (IN THE BACKGROUND, MINERALS SECTOR HAS BEEN IN EFFECT CLOSED TO NEW PRIVATE INVESTMENT FROM ABROAD UNTIL NATIONAL ASSEMBLY PASSES NEW LEGISLATION SETTING POLICY FOR THIS SECTOR. RESTRICTIVE LEGISLATION COVERING MINERALS AND MINING WAS VETOED BY PRESIDENT KORUTURK DURING 1973. RECENT INTERNATIONAL DEVELOPMENTS REGARDING PRICE AND SUPPLY OF PETROLEUM HAVE STIMULATED RENEWAL OF PROPOSALS FOR ELIMINATION OF PRIVATE LIMITED OFFICIAL USE

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COMPANIES FROM PETROLEUM PRODUCTION AND REFINING OR GREATER GOVERNMENTAL CONTROL IN THIS AREA.) FUTURE EVENTS WILL DEPEND ON COURSE OF ACTION THAT MAY BE OUTLINED BY RPP-NSP IN ITS POLICY STATEMENT AT TIME GOVERNMENT IS FORMED. PARLIAMENT MUST APPROVE THIS STATEMENT. IT WILL ALSO BE DETERMINED BY A NUMBER OF OTHER FACTORS SUCH AS PRIORITY ACCORDED TO LEGISLATION IN THIS FIELD; FINANCIAL RESOURCES THAT CAN BE USED TO IMPLEMENT GOVERNMENT'S

OBJECTIVES; ABILITY OF GOVERNMENT TO PUT ITS PROGRAM THROUGH
NATIONAL ASSEMBLY; AND DURATION OF SUCH GOVERNMENT IN OFFICE.
MACOMBER

NOTE BY OC/T: #AS RECEIVED. SERVICED ON REQUEST.

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